

BIPCO proffered two witnesses in support of its application. The witnesses were identified as Mr. Walter E. Edge, Jr., MBA CPA, an expert in public utility accounting and rate matters; and Mr. Clifford R. McGinnes, BIPCO's Chief Operating Officer.

Mr. Edge's testimony provided the relevant details on the proposed borrowing.² Mr. Edge also opined that the borrowing is "absolutely" in the best interest of BIPCO and its ratepayers.

According to Mr. Edge, the interest rate on the \$566,400 loan will be a "fixed" 5-year rate of 5%, which was negotiated with CAT. Mr. Edge characterized the 5% rate as "reasonable for a five year loan."

Mr. Edge additionally testified that BIPCO intends to pay the loan back from its current cash flow and not request a rate increase from the Public Utilities Commission.³ He related that this approach will result in an increase in BIPCO's rate base without incurring any debt to be passed along to ratepayers. Mr. Edge explained that "the changes relating to this transaction will be passed on to the ratepayers only when BIPCO files for its next rate increase using the new increased rate base and the equity balance at that time."⁴

Mr. Edge noted, however, that there would be an impact on BIPCO's debt/equity ratio resulting from this borrowing. He testified that as of October

² BIPCO Exhibit 2.

³ Mr. Edge testified that BIPCO has sufficient cash flow to cover the cost of this loan due to "management decisions" over the past several years that have resulted in the Company having improved cash balances. *Id.*, Edge testimony, p. 3.

⁴ *Id.*, Edge testimony, pp. 2-3.

31, 2012, BIPCO's debt/equity ratio was 2.06/1; the addition of this debt would increase the debt/equity ratio to 2.36/1, which Mr. Edge called "acceptable."⁵

Mr. McGinnes provided detailed information concerning the current status of the engine being purchased by BIPCO and the terms of the purchase agreement with CAT.

The Division's Advocacy Section did not proffer any witnesses in this docket. It did, however, sponsor an exhibit that contained relevant discovery responses that BIPCO provided during the discovery phase of the case.⁶ The Advocacy Section also stated for the record that it was satisfied from the evidence presented that BIPCO had met the requisite burden of proof set forth in R.I.G.L. §39-3-15, et seq. and that the proposed refinancing was in the public interest.

FINDINGS

Predicated on a careful examination of the record in this matter, the Division finds that BIPCO's application seeking authority to obtain a \$566,400 unsecured term loan from CAT for the purpose of purchasing an engine (Engine No. 26 – BIPCO's newest engine) is reasonable and in the interest of BIPCO and its ratepayers.

Now, therefore, it is
(20931) ORDERED:

⁵ Id., Edge testimony, p. 3.

⁶ Advocacy Section Exhibit 1.

1. That the Block Island Power Company's November 27, 2012 application, which seeks Division approval under R.I.G.L. §39-3-15, to obtain a \$566,400 unsecured term loan from CAT for the purpose of purchasing Engine No. 26, is hereby approved as filed.
2. That the Division hereby limits approval of the instant application to the terms and details identified in the record.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 14, 2013.


John Spirito, Jr., Esq.
Hearing Officer


Thomas F. Ahern
Administrator